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Arizona Corporation Commission

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JIM IRVIN

Commissioner-Chairman

TONY WEST

Commissioner

CARL J. KUNASEK

Commissioner

IN THE MATTER OF THE COMPETITION)
 IN THE PROVISION OF ELECTRIC)
 SERVICES THROUGHOUT THE)
 STATE OF ARIZONA)

DOCKET NO. RE-00000C-94-0165

DUNCAN AND GRAHAM'S
 EXCEPTIONS TO
 PROPOSED ORDER

Duncan and Graham (the "Cooperatives") support the Exceptions of AEPCO. In addition, the Cooperatives submit these Exceptions to the Proposed Order and the Rules attached to it which were issued on February 5, 1999.

Metering, Meter Reading, Billing and Collection Issues ("Distribution Related Services")

From a distribution standpoint, one of the primary problems with the Proposed Rules is that they not only authorize competitive Distribution Related Services, but also prohibit some Affected Utilities from supplying them after January 1, 2001.¹ This allowance and/or restriction conflicts with HB 2663, is unique among states which have authorized competition and will impede, not advance delivery of competitive generation service – particularly to residential and small commercial customers:

- It conflicts with HB 2663 because the Legislature has authorized competitive Distribution Related Services only for loads larger than one megawatt until January 1, 2001 (HB 2663, Section 23; A.R.S. §40-202.B.4). The Rule authorizes them for all customers regardless of load size.
- It is unique because no other state has prohibited its utilities from providing these services.

¹ In relation to the prohibition, R14-2-1616.C does exempt distribution cooperatives and authorizes them to supply these services within their territories. However, if the Rule is retained, it needs to be revised and also clarified in relation to R14-2-1603.A and R14-2-1605 as recommended in AEPCO's Exceptions.

- It will impede not advance competition because as a practical matter, utilities are the best – and sometimes the only – situated entities to supply these services particularly to residential and small commercial customers.

It simply is not necessary to address this issue now – almost two years before the restriction would apply. The Cooperatives suggest the Rules be amended to remove any prohibition against an Affected Utility or Utility Distribution Company from supplying Competitive Services. Before January 1, 2001, if the Commission desires, it can revisit this issue, take evidence and testimony on it and make a decision as to the wisdom and necessity for the policy. Also, because of cooperatives' unique relationship with their customer owners, the Cooperatives continue to support leaving Distribution Related Services exclusively with cooperatives.

Distribution Related Stranded Cost (R14-2-1607.D)

The Rules make no provision for recovery of distribution related Stranded Cost, i.e. meters supplied as part of the obligation to serve which are replaced by new competitive meters. In fact, the Rules require a filing as to these Stranded Costs before they even arise or can be reasonably estimated (March 19, 1999 as provided in R14-2-1607.D).

To address these issues, the Cooperatives suggest the following changes to R14-2-1607.D:

- D. An Affected Utility shall request Commission approval, on or before March 19, 199, of distribution charges or other means of recovering unmitigated generation related Stranded Cost. The filing may include a discounted stranded cost exit methodology that a consumer may choose to use to determine an amount due the Affected Utility in lieu of making monthly distribution charge or other payments. Distribution related Stranded Cost may be applied for as and when such costs arise.

Commencement of Competition (R14-2-1602)

The Proposed Rule provides that competition will commence on a utility-by-utility basis as Stranded Cost and Unbundled Tariff determinations are made. This presents a number of

1 problems and will unevenly dictate the introduction of competition. The Cooperatives strongly urge
2 the Commission to implement competition uniformly and statewide on the same date.

3 We recommend deleting paragraphs A and B of R14-2-1602 and substituting the
4 following:
5

6 The Commission will, by separate order, establish a statewide
7 commencement date for competition, subject to the phase-in schedule
8 in R14-2-1604.

8 **Meter Ownership (R14-2-1613.K.8)**

9 The Proposed Rule allows meter ownership by the customer. This poses several
10 practical difficulties including access, maintenance, energy theft and billing problems. R14-2-
11 1613.K.8 should be rewritten as follows:
12

- 13 8. Metering equipment ownership will be limited to the Affected
14 Utility, Utility Distribution Company, and the Electric Service
15 Provider or its representative, ~~or the customer, who must~~
16 ~~obtain the metering equipment through the Affected Utility,~~
17 ~~Utility Distribution Company or an Electric Service Provider.~~

16 **Conclusion**

17 The Cooperatives request that the Proposed Rules be modified as suggested in these
18 and AEPCO's Exceptions.
19

20 RESPECTFULLY SUBMITTED this 17th day of February, 1999.

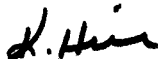
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1 Original and ten (10) copies of the foregoing
2 document filed this 17th day of February, 1999, with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, Arizona 85007

6 Copy of the foregoing document mailed this 17th
7 day of February, 1999, to all parties of record.

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8 #684811 v1 - Cooperative Exceptions